

Unapproved Minutes
3/23/15 Study Meeting
Item 6.1

Chief Financial Officer Lori Economy-Scholler and the City's bond counsel John Utley, Kennedy & Graven, presented an overview on a charter change that would provide the City with more flexibility when it comes to bonding for projects; specifically for new trails included in the Alternative Transportation Plan and for the maintenance of trails. Under the current City Charter, the City can only levy tax monies and pay as you go for trails. They proceeded to present the following information:

- Enhanced Financing Tool
- Proposed New Section of the Charter
- Comparison Charter Elements
- Discussion – Proposed Charter Change
- Timelines: May 7 Charter Commission Meeting, advertise a hearing before the Council in the late June/early July timeframe, could become effective in October if not challenged by the voters.

They said the proposed amendment language is similar to that of St. Louis Park, which would allow bonding for trails, park facilities, or a community center. Without a Charter change, if the City wanted to issue debt for a new community center, for example, it would have to put forth a referendum for the voters to decide. As the amendment is being proposed, it would require 5 of 7 Council votes to authorize the bonding for an improvement and does not include a referendum requirement. The bonding authority could be for any type of capital improvement, would be exempt from referendum, and would require 5 of 7 Council votes to approve. She reviewed the proposed timelines for a Charter amendment. She explained if within 60 days of Council's approval of the Charter amendment, a petition is received containing signatures from 5% of the registered voters or 2,000 signatures, whichever is less, the amendment question would have to be added to the November ballot. She said if Council is interested in this proposal, staff would forward it to the May 7th Charter Commission meeting. She said the Council could limit the bonding authority to specific types of capital improvements and it could add back into the amendment language pertaining to a referendum, whereby the City would have to put the question to a referendum if within 30 days of the published notice of the City's intent to bond, a qualified petition is received by the City. She said the Council can determine how many votes it wants to require for approving these types of bonds.

Council comments/inquiries:

Mayor Winstead asked the Council if they were interested in making such a change in the Charter.

Carlson and Oleson said it was definitely worth discussing and asked why the City shouldn't have this tool available since it could be used as much or as little as Council desired. The potential interest savings to the City makes it worth discussing.

Busse was interested but said changing the City Charter is a big deal so perhaps it should be done in increments. Use it for certain expenditures for capital improvements; not an open-ended blank check.

Abrams said it would be helpful to have the past history regarding City and School District bond referendums ... how successful have they been and are Bloomington residents supportive of the parks and trail system.

Baloga was interested in the discussion but expressed discomfort with the proposed amendment to the Charter. He asked staff for the definition of a capital improvement. He considers the repairing and replacement of trails and park equipment as normal maintenance.

Winstead said there was enough interest by Council members to continue the discussion on a proposed Charter amendment. He said he would never want to see the City have the ability to bond for maintenance and ongoing operations but he would for capital improvements, which need to be defined.

Lowman desired Council use caution in making such a change to the Charter.

Abrams requested staff provide information on how other Metro cities have used this bonding tool; not just the outlying cities.

For information, Economy-Scholler said the last City referendum was in 2000 for the art center portion of Civic Plaza. The other referendum was in 1991 for a new city hall but it failed. She added public safety facilities and libraries qualify for bonding under the City's Community Investment Program. She clarified a courthouse, on the other hand, is not a facility for which the City could bond directly.

Utley explained State statutes define what capital improvements can be financed using this bonding authority. He said the counties were initially given capital improvement powers which were the basis for the current statutes.

Regarding exactly what type of improvements would be appropriate for this type of bonding authority, Winstead suggested major capital park improvements, the construction and total reconstruction of trails, a community center and asked about transportation projects. Economy-Scholler said this authority would allow the City to issue debt for the type of road construction that doesn't utilize any special assessments. Winstead requested more examples of how other cities have used this authority.

Baloga said once something like a trail is built, it's the City's fiduciary responsibility to maintain it so money needs to be budgeted for annual maintenance. He said the City would appear financially lax if trails and park equipment were allowed to deteriorate to the point where the City had to bond for them. He said there needs to be an annual maintenance budget for trails, park equipment and buildings. By considering bonding for these types of needs makes it appear the City is not exercising adequate discipline in those areas. He said the bonding could be used for an extensive trail. However, trails are somewhat controversial so having it available could lead the City down a slippery slope. He believes the City needs to depreciate park equipment and start reserving funds to replace it.

Winstead said the City hasn't reserved any replacement funding for equipment when it's reached its useful life of 25 years and needs replacing. Economy-Scholler reported many park facilities are not being covered by facility charges so there is no bank to replace the park facilities or the equipment. She reported the City receives approximately \$200,000 in park dedication fees for park equipment but that is not enough to cover future maintenance and replacement.

Community Services Director Diann Kirby explained the money set aside to replace park equipment comes from park dedication fees but it varies from year to year.

Winstead asked if a system should be set up to levy and reserve for replacement of all capital items.

Baloga believes it should be and said he's concerned with the City trying to use this bonding mechanism to do a one-time catch up on all capital items without voter input.

Oleson requested more information on a reverse referendum.

Utle explained a reverse referendum occurs after an approval has been made under this provision by the Council to proceed. A reverse referendum will require that the Council publish a notice that it has adopted a resolution to approve bonds under this provision in the newspaper. Voters then have a period of time, between 30-60 days, to put together a petition that meets a certain minimum number of signer requirements. If it's submitted to the City with the required number of signers, the City is required to have a referendum. A reverse referendum only kicks in if a sufficient number of voters petition for that to occur.

Oleson said bonding for trails and infrastructure might be acceptable improvements for this type of bonding if it results in cost efficiencies and interest savings. He cautioned about not reducing the City's transparency regarding significant chunks of taxpayer money.

Lowman suggested if Council goes down this route, it be stipulated in the amendment that a reserve needs to be built into the Capital Improvement budget to show voters that the City will not be back to fund the same thing. He asked if the bonding tool could be used for sidewalks and certain types of housing.

Winstead said the City is already doing some conduit bonding for senior housing in Bloomington and capital improvement projects can be bonded and paid for, plus there is revenue from TIF districts, etc.

Abrams stated there are mechanisms in place to take care of certain needs but it's at a different interest rate due to the City's role through its Port Authority. She asked about the cost savings for different projects if this type of bonding authority were to be utilized. Economy-Scholler replied difference in interest rates could be between 50-150 basis points compared to the rates for normal General Obligation bonds but it depends on many factors.

Busse said ongoing maintenance would require an increase in the levy to fund more or a reduction would have to occur elsewhere in the budget. He suggested the City use the IRS definitions relating to repairs and capital improvements.

Winstead directed staff to move forward with the proposed Charter change but said there is a question regarding capital improvement vs. operational funding. He said the City needs to reserve for replacement in its operations funding. He said there are mechanisms in place to pay for a community center, etc., but asked what savings could be realized by this type of bonding so Council can determine if it's worth changing the Charter. He requested staff provide examples of how the cities listed in staff's chart have used this type of bonding authority.

Baloga asked if the Housing & Redevelopment Authority (HRA) has bonding authority. Utley replied they do but said any bonding by the HRA has to be carefully scrutinized. He said although cities are required by statute to have voter referendum when it elects to bond, the exceptions to that completely swallow up the rule. He said cities are given a tremendous amount of authority to issue bonds without voter referendum. He said this type of bonding authority is intended to plug the gaps in funding.

Winstead said reverse referendum language needs to be included in any amendment and that requiring 5 out of 7 (super majority) Council votes to pass a bonding project makes sense.

Oleson supported 5 votes provided the reverse referendum language is included.

Lowman said he'd prefer 7 out of 7 votes but could compromise on 6 out of 7.

Winstead suggested a minimum of 30-60 days for a reverse referendum.

Abrams asked for examples of how other communities articulated the conditions for a reverse referendum including how many signatures would be required on a petition. Utley said 30 days to submit a petition containing 5% of the voters in the last general election is typical. Staff will provide additional information on the petition requirements for a reverse referendum.

Lowman asked about including a cap on the amount of bonding. Economy-Scholler said any proposal of bonds would come before the Council for a vote. She said staff can set up a policy but it's the language the Council wants included in the Charter amendment. She said this proposed amendment will be on the April 6 Regular meeting agenda for formal direction by the Council.